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August 2, 2005

Via Electronic Submission

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Room TWA-325
Washington, DC 20554

**Re: Ex Parte
CC Docket 02-53, Presubscribed Interexchange Carrier Charges**

Dear Ms. Dortch:

At the request of FCC staff, SBC is submitting a 13-state weighted average Manual PIC change rate and Mechanized PIC change rate. SBC is also attaching individual PIC Change cost studies for each of the 13 SBC states.

The accompanying spreadsheet labeled "13 State Weighted Average" contains the cost/rate results for each state weighted by PIC/LPIC quantities to derive a single weighted average rate for SBC. The cost/rate results are measured per PIC change. Rates for Manual PIC changes are weighted by manual PIC/LPIC volumes, and rates for Mechanized PIC changes are weighted by mechanized PIC/LPIC volumes. The 13-state weighted average Manual PIC change rate is **\$4.33**, and the weighted average Mechanized PIC change rate is **\$1.66**.

The studies follow the original methodology filed by SBC reflecting efficiencies from processing simultaneous PIC and LPIC requests. The following updates were made to these studies from SBC's studies filed in February 2005:

- SBC has and will incur significant one-time IT-related costs to implement the PIC Change Order. Previous SBC studies reflected the full IT implementation costs, to implement the manual-mechanized rate bifurcation as well as the simultaneous PIC/LPIC discount. Cost results reflected in the July 2005 updated studies contain only IT-related costs to implement the rate bifurcation; they exclude costs associated with the simultaneous PIC/LPIC discount. The amount of IT-implementation cost included in each study appears in the Inputs tab; for example in the Texas study at printed row 44, Excel row 78.
- The PIC change rates for the five SBC Southwest states (Arkansas, Kansas, Missouri, Oklahoma, and Texas) reflect the "Initial" and "Additional" rate structure unique to those states. The *manual* PIC change charge for Initial (i.e., primary) lines is greater than the

manual PIC change charge for Additional (i.e., secondary) lines due to efficiencies from processing PIC changes to the Additional or second line. For mechanized PIC changes, the Initial and Additional rates are identical.

In order to develop a consistent 13-state weighted average and to capture the efficiencies of the lower Additional PIC charge, another weighting is necessary. This weighting blends the Initial and Additional rates for the five Southwest states. SBC applied the average "lines per customer" for the Southwest region as a means of weighting the Initial and Additional rates for manual PIC changes. SBC pulled in-service access line quantities for Consumer Primary and Consumer Additional lines from Q1 and Q2 2005. The data revealed that lines per customer (calculated by total lines over primary lines) equal 1.13. In other words, the Consumer segment in Southwest states average 1.13 lines per household. Though this metric is for the Consumer segment only, the Consumer segment generates 90% of PIC Change orders. The lines-per-customer metric varies greatly by the various Business market segments. Incorporating weightings to PIC changes on Business lines would introduce significant complexity and would have little impact on the weighted average given that business lines generate only 10% of PIC changes. Therefore, the lines-per-customer metric for Consumer is an appropriate weight. The in-service line counts used to calculate the 1.13 metric appear in the Inputs tab of the studies, around printed rows 24-25, Excel rows 52-53.

In studies for each of the five Southwest states, the Initial, primary line manual PIC change rate is weighted by 88.5% ($1 / 1.3$) and the Additional, secondary line manual PIC change rate is weighted by 11.5% ($0.13 / 1.13$). For example, the Initial manual PIC change rate is \$4.65 and the Additional manual PIC change rate is \$2.58. Applying 1.13 lines per customer weighting produces a weighted average manual rate of \$4.41 ($\$4.65 * (1 / 1.3) + (\$2.58 * (0.13 / 1.13))$). In each of the five Southwest studies, this application appears on the Results tab. Again, the additional weighting has an effect only on *manual* PIC change rates with the Initial vs. Additional rate structure. Because mechanized PIC change rates are identical for Initial and Additional, the weighting has no impact. Weighting the five Southwest states in the manner described above produce rates that are directly comparable to rates for the other eight SBC states.

If you have any questions concerning SBC's cost studies, please do not hesitate to contact me.

Sincerely,

/s/Toni Acton
Associate Director

Attachments

cc: Jennifer McKee
Dick Kwiatkowski

SBC 13 State Weighted Average

Manual PIC Change

	State	SBC Rate (1)	PIC/LPIC Manual Quantities	% Weighting	Weighted Rate (D) = (Rate * C)
		(A)	(B)	(C)	
Midwest	Illinois	\$ 4.30	2,007,996	13.96%	\$ 0.60
	Indiana	\$ 4.16	815,833	5.67%	\$ 0.24
	Michigan	\$ 4.44	2,135,759	14.85%	\$ 0.66
	Ohio	\$ 4.27	1,180,433	8.21%	\$ 0.35
	Wisconsin	\$ 4.23	585,288	4.07%	\$ 0.17
Southwest (2)	Arkansas	\$ 4.47	252,953	1.76%	\$ 0.08
	Kansas	\$ 4.55	260,174	1.81%	\$ 0.08
	Missouri	\$ 4.37	698,446	4.86%	\$ 0.21
	Oklahoma	\$ 4.38	366,157	2.55%	\$ 0.11
	Texas	\$ 4.41	2,493,053	17.34%	\$ 0.76
West	California	\$ 4.07	3,322,577	23.10%	\$ 0.94
	Nevada	\$ 4.53	84,402	0.59%	\$ 0.03
East	Connecticut	\$ 7.76	177,988	1.24%	\$ 0.10
Total			14,381,059		\$ 4.33

- (1) Manual PIC / LPIC Combination; includes the reduction in IT Implementation costs removing the portion required to implement the discount (~\$385K, 45% of total).
- (2) Rates for Southwest states reflect weighting of Initial and Additional rate, applying 1.13 lines per customer based on Consumer in-service quantities for Q1 and Q1 2005.

SBC 13 State Weighted Average**Mechanized PIC Change**

	State	SBC Rate (1)	PIC/LPIC Mechanized Quantities	% Weighting	Weighted Rate (D) = (Rate * C)
		(A)	(B)	(C)	
Midwest	Illinois	\$ 1.24	550,652	10.95%	\$ 0.14
	Indiana	\$ 1.24	181,556	3.61%	\$ 0.04
	Michigan	\$ 1.47	351,650	6.99%	\$ 0.10
	Ohio	\$ 1.19	445,673	8.86%	\$ 0.11
	Wisconsin	\$ 1.30	123,313	2.45%	\$ 0.03
Southwest (2)	Arkansas	\$ 1.97	79,416	1.58%	\$ 0.03
	Kansas	\$ 1.91	83,315	1.66%	\$ 0.03
	Missouri	\$ 1.91	199,844	3.98%	\$ 0.08
	Oklahoma	\$ 1.88	113,451	2.26%	\$ 0.04
	Texas	\$ 1.83	998,230	19.86%	\$ 0.36
West	California	\$ 1.74	1,751,259	34.83%	\$ 0.61
	Nevada	\$ 2.35	37,187	0.74%	\$ 0.02
East	Connecticut	\$ 3.26	111,964	2.23%	\$ 0.07
Total			5,027,510		\$ 1.66

- (1) Manual PIC / LPIC Combination; includes the reduction in IT Implementation costs removing the portion required to implement the discount (~\$385K, 45% of total).
- (2) Rates for Southwest states reflect weighting of Initial and Additional rate, applying 1.13 lines per customer based on Consumer in-service quantities for Q1 and Q1 2005. This weighting does not have an impact for Mechanized because Initial and Additional Mechanized rates are identical in all states.